HB 1319: Allowing payday lenders to offer a new installment loan product

Rep. Martin Carbaugh (R-Ft. Wayne) and Rep. Bob Morris (R-Ft. Wayne) have introduced HB 1319, allowing payday lenders to offer a new installment loan product. The new product would allow Hoosier consumers to take out a loan between $605.01 and $1,500 with repayment ranging from 3-12 months. The interest rate and additional fees on this product puts the annual percentage rate (APR) around 200%. This bill passed out of the House of Representatives with a vote of with a vote of 53-41 and has been assigned to the Senate Commerce and Technology Committee for consideration.

Background
The primary intent of the bill is to help Indiana residents who may need a small infusion of cash but may not qualify for traditional loans. According to the Indiana Department of Financial Institutions, more than $1.2M payday loans were made in Indiana in the 12-month period ending Nov. 30, 2017. Anticipation of new federal regulations, scheduled to take effect later this year, could push payday lenders out of the market. However, the rule has been suspended by the current director of the Consumer Financial Protection Bureau (CFPB) and he has requested zero budget for the CFPB going forward.

Proponents of HB1319 say the loan products it creates can be potential lifelines for those struggling to meet unforeseen expenses. They say that this new loan category, unlike two-week “payday” loans, would promote financial literacy and allow recipients to build credit so they can escape the cycle of short-term loans. The bill requires each payday lending storefront that offers the product to pay $1,000 each to the state to a fund that would provide financial education programs.

Opponents of HB 1319 argue that it allows lenders to give larger, long-term loans with much higher interest rates. For example, an individual making $17,200 in income a year could apply for a $605 loan with a 3-month repayment plan with about $275 in monthly payments. Both payday loans and the installment loans created by HB 1319 secure access to a borrower’s checking account at what opponents to the bill consider unaffordable APRs, and they are concerned that these loans result in bankruptcies, foreclosures, and a vortex of debt. Consumer advocates say the loans and accompanying larger fees will dramatically expand the payday lending business.

Senator Greg Walker (R-Columbus) filed SB 325, which sought to cap the annual percentage rate on small payday loans at 36%. When polled by the Bellwether Research and Consulting Firm, 88% of Hoosier voters said they support the 36% cap. Senator Walker’s bill did not get a committee hearing.
Information from groups that oppose and support the bill can be found on the IPA website.

**Group Opposing HB 1319 include:**

- **Charitable and Community Groups that Serve or Represent Low-Income Hoosiers**
  - Legacy Foundation, Inc. (Merrillville), an IPA member
  - Indiana United Ways
  - Habitat for Humanity
  - Edna Martin Christian Center
  - St. Vincent DePaul Society
  - Brightpoint (Fort Wayne)
  - TRI-CAP (Jasper)
  - Indiana Institute for Working Families
  - Prosperity Indiana, an IPA member
  - Indiana State Conference of the NAACP
  - Indiana Community Action Association
  - Indiana Assets & Opportunity Network
  - Indiana Coalition for Human Services
  - Indiana Coalition Against Domestic Violence

- **Faith Communities**
  - Indiana Catholic Conference
  - Indiana Friends Committee on Legislation
  - Indiana –Kentucky Synod of the Evangelical Lutheran Church
  - Jewish Community Relations Council

- **Veterans**
  - The American Legion, Department of Indiana
  - Disabled American Veterans, Department of Indiana
  - Veterans of Foreign Wars, Department of Indiana
  - AMVETS, Department of Indiana
  - The Military/Veterans Coalition of Indiana
  - Reserve Officers Association – Department of Indiana

**Groups Supporting HB 1319 include:**

- Advance America: Largest payday lending firm in the US
- Check into Cash: Headquartered in Cleveland, TN
- Community Choice Financial Services: Headquartered in Dublin, Ohio
- Axcess Financial Services: Headquartered in Cincinnati, Ohio
- Community Financial Services Association: Trade association umbrella group